INVESTIGATION REPORT

FUNDING OF SPORTS PROGRAMMES

BY

HONG KONG SPORTS DEVELOPMENT BOARD

AUGUST 2002

Office of The Ombudsman

Hong Kong

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by Hong Kong Sports Development Board

Executive Summary

BACKGROUND

1. Grants are made annually by Hong Kong Sports Development Board (SDB)[1] to National Sports Associations (NSAs)[2] to fund their programmes. SDB derives its income mainly from Government subvention. In 2001-02, grants totaling $75 244 710 were disbursed to 55 NSAs. There has been concern over whether the grants from public funds are allocated and monitored fairly and efficiently. The Ombudsman announced a direct investigation into the matter on 28 September 2001.

FINDINGS

Funding Principles

2. Grants are allocated according a set of principles, including the following:

(a) Each grant comprises personnel expenses,

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[1] SBD is a statutory body established in 1990 under the Hong Kong Sports Development Board Ordinance (Cap. 1149) for the purpose of promoting and developing sports and physical recreation in Hong Kong.

[2] NSAs are sports associations recognized by international sports federations as the representative national body of their respective sports.

office expenses and programme expenses.

(b) Subventions for personnel and office expenses are calculated according to factors such as NSA's type of sport (e.g. "Focus" sport[3]), the quality and quantity of its programmes and size of its membership.

(c) Programme expenses are vetted according to guidelines on such items as airfares, accommodation and meal and uniform subsidy.

(d) Personnel and office expenses approved by SDB are subvented in full, while programmes of different nature are subvented to different levels according to the "percentage rule"[4].

(e) The number of events and athletes eligible for financial support is decided according to the NSA's past performance in the same or similar events.

Funding Allocation Process

3. The procedures for allocating grants to NSAs have the following characteristics:

(a) "Yearly Plans", with details of estimated expenses, have to be submitted by NSAs to SDB

[3] Inclusion into the "Focus" sports category is decided on the basis of results in international competitions. Currently 13 sports are covered, namely: athletics, badminton, cycling, fencing, rowing, squash, swimming, tennis, tenpin bowling, triathlon, table tennis, windsurfing and wushu.

[4] The "Percentage Rule" provides, for instance, for NSAs to be granted up to 70% of the approved expenses for participating in international events held overseas, and up to 50% of the approved expenses for holding non-major international events in Hong Kong.

six months before the beginning of a financial year.

(b) Every expenditure item is checked by Sports Development Managers (SD Managers) for need, accuracy and economy according to SDB guidelines, and then adjusted according to the "percentage rule" to arrive at a preliminary figure for each NSA.

(c) The preliminary figures are considered at internal funding allocation meetings attended by all SD Managers responsible for NSA affairs, and are further adjusted until the total allocations match SDB's projected provision for that purpose.

(d) The recommended allocations are cleared by the SDB Executive Director, the Sports Development Committee, Hong Kong Sports Institute Management Committee and Corporate Management Committee before final approval by the SDB governing body.

Monitoring and Control

Plans and Reports

4. To account for expenditure from the SDB subventions, every NSAs is required to submit every year an updated Four-year Plan, a Yearly Plan, a Programme Plan and an Annual Financial Report. For every subvented programme, it has to furnish an Application for Grants, a Statement of Accounts and an Evaluation Report.

Meetings and Visits

5. Every NSA is visited no fewer than 15 times every year. Besides sports events, SD Managers attend executive committee meetings and annual general meetings. They also hold regular meetings with NSA officials on the overall development of the associations.

Monitoring Subvented Staff

6. SD Managers attend recruitment interviews for NSA staff paid by SDB subvention, take part in their training, scrutinize their appraisal reports and meet them regularly for their views.

COMMENTS AND OPINIONS

Funding Policy

7. There have been different views on the policy and principles adopted by SDB for allocating grants to NSAs. These are policy issues hinging on public perception of the importance of sports development and its expectations of the parties concerned. In our view, it is important to have a realistic and rational, comprehensive and comprehensible policy. It must be clear to all parties concerned so as to energise concerted efforts towards a common goal.

Funding Allocation Practices and Procedures

8. There are signs that, in practice, SDB may have

applied the funding policy too rigidly. Its refusal to fund events which has not been supported in the past, for instance, may discourage NSAs from attempting new or creative projects.

9. On the funding allocation process, we have the following observations:

(a) NSAs tend to include in their applications more events and participants than are allowable according to SDB guidelines, with the result that SD Managers have to spend much time and efforts to vet the estimates. The problem can be resolved, for instance, by holding briefing sessions for NSA officials before the preparation of Yearly Plans.

(b) There are considerable differences between what NSAs request and what SDB finally grants them. A reason is that NSAs are not advised before the compilation of Yearly Plans of the amounts they are likely to get. It would help if NSAs are given indications of the funding ceiling as well as other criteria when they are invited to submit applications for grants.

(c) The criteria used by SDB to cut NSAs' requests do not always appear to be reasonable. We note that several overseas events were disallowed on the ground that the schedule was too intensive - but that should be a matter for the NSA rather than SDB.

Monitoring System

10. On the SDB's monitoring of NSAs, we have the following observations:

(a) The system for submission of plans and reports is cumbersome. Some details are required repeatedly.

(b) Some documents may not serve any useful purpose and add to NSAs' workload.

(c) On occasions, forms prescribed by SDB do not match with its own stipulations.

(d) When irregularities are observed, there is no effective means to ensure that remedial measures will be taken by NSAs concerned.

(e) Some of the control measures are severe and may have undesirable effects, for example:

(i) The requirement for subvented NSA staff to acknowledge to SDB receipt of salaries. Coupled with the system of supervision by SD Managers, such requirement may undermine NSAs' authority over its own staff and cause difficulties in staff management.

(ii) The rule that grants will be suspended or forfeited if relevant documents are not submitted in time. Such rule appears to be disproportionately harsh and does not reflect well SDB's trust for NSAs.

(f) Rigid adherence to strict rules may restrict a NSA's ability to make the best use of resources available. An example is the rule that programme plans cannot be varied without prior approval from SDB. A more reasonable and efficient device would be for certain key performance indicators to be set and to allow NSAs, subject to the indicators being met, discretion over the running of the events.

CONCLUSIONS

11. On the basis of our findings, we have come to the view that SDB has endeavored to ensure that public funds granted to NSAs for development of sports are properly used and accounted for. However, in doing so, it may not have given sufficient consideration to administrative efficiency on its part and that of NSAs. The present system is cumbersome, rigid and occasionally unreasonable in implementation. It gives the impression of a lack of mutual trust and results in wasteful use of manpower.

12. We note that the HAB has recently published a report on the review of the sports policy for Hong Kong "Towards a More Sporting Future" for public consultation. It contains proposals to review and simplify procedures for funding NSAs. We support the proposals and hope our findings and recommendations help towards that review.

RECOMMENDATIONS

13. The Ombudsman makes the following recommendations:

(a) **In the long run,** a new system should be worked out for efficient management and monitoring as well as effective use of public resources.

(b) **In the interim,** pending review, the following improvement should be made-

Allocation of Grants

(i) The criteria for allocating grants should be reviewed with a view to meeting more effectively the aspirations of the community.

(ii) Guidelines for funding allocation should be regularly updated to reflect the changes in relevant conditions.

(iii) Steps should be taken to ensure that NSA officials responsible for applications for grants are apprised of the relevant policy, procedures, practices and guidelines.

(iv) NSAs should be provided, before the preparation of Yearly Plans, with suitable information or advice so as to enable them to prepare the plans rationally and realistically.

(v) Funding policy and guidelines should be interpreted liberally and flexibly with due regard to the expertise of NSAs

in their specific fields.

Monitoring

(vi) The present requirement for plans and reports should be streamlined to cut repetition and unnecessary information.

(vii) Forms prescribed by SDB should be reviewed to ensure that they serve their intended purpose.

(viii) A system should be devised to ensure that reasonable requests and suggestions by SDB are properly followed up by NSAs.

(ix) Monitoring measures carrying unduly harsh sanctions should be amended.

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1

INTRODUCTION

BACKGROUND

1.1 Grants are made annually by Hong Kong Sports Development Board (SDB)[1] to National Sports Associations (NSAs)[2] to fund their programmes. SDB derives its income mainly from Government subvention. There has been concern over whether the grants from public funds are allocated and monitored fairly and efficiently.

1.2 The Ombudsman decided in the public interest to initiate an investigation on her own motion under section 7(1)(a)(ii) of The Ombudsman Ordinance (Cap. 397). The Executive Director of SDB, notified of The Ombudsman's decision, agreed to co-operate fully. The investigation was announced on 28 September 2001.

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[1] SBD is a statutory body established in 1990 under the Hong Kong Sports Development Board Ordinance (Cap. 1149) for the purpose of promoting and developing sports and physical recreation in Hong Kong.

[2] NSAs are sports associations recognized by international sports federations as the representative national body of their respective sports.

AMBIT

1.3 The ambit of the investigation covers:

(a) the adequacy and effectiveness of:

(i) the criteria and procedures adopted by SDB for the allocation of grants to NSAs; and

(ii) the mechanism for monitoring and controlling the use of the grants; and

(b) the need for improvement.

METHODOLOGY

1.4 For the investigation, this Office has studied and examined relevant information provided by SDB, the Home Affairs Bureau (HAB) and the Leisure and Cultural Services Department (LCSD). These include administrative guidelines, manuals and statistical data. Members of this Office attended funding allocation meetings of SDB. We also interviewed the following persons:

- the four Sports Development Managers[3] (SD Managers) of SDB responsible for NSA affairs

- representatives of ten NSAs

- HAB officials with duties for sports development

- Senior members of the SDB management

HOME AFFAIRS BUREAU REPORT

1.5 We note that HAB has recently published a report on the review of the sports policy for Hong Kong "Towards a More Sporting Future" for public consultation. It contains proposals to review and simplify procedures for funding NSAs. We hope that this investigation report and our recommendations contribute positively towards such review.

[3] Sports Development Managers are assisted by Assistant Sports Managers. For simplicity both ranks are collectively referred to as SD Managers in this report.

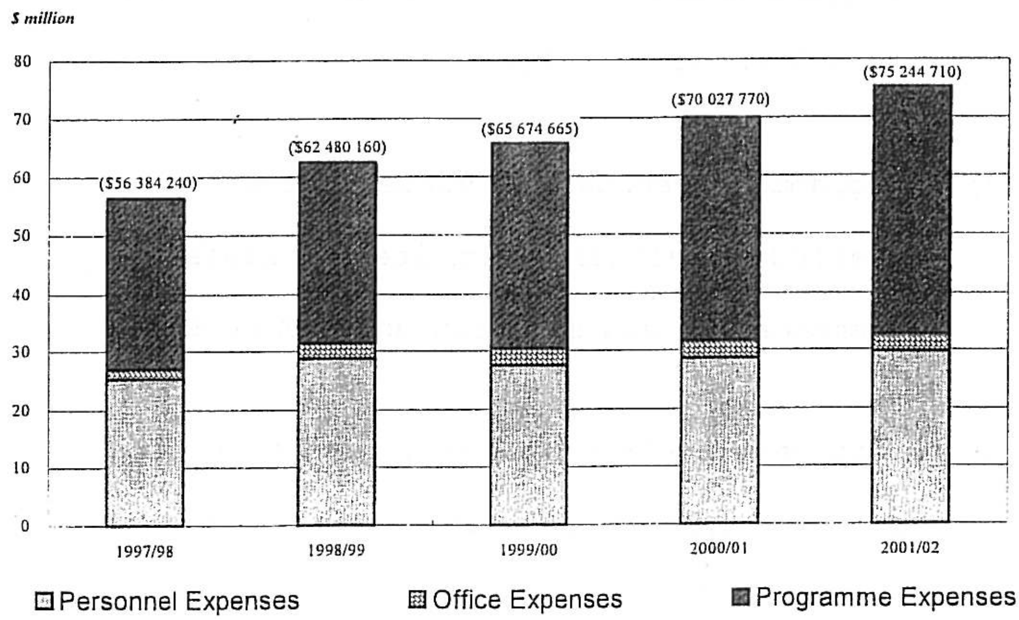
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FUNDING POLICY AND PROCEDURES

BACKGROUND

2.1 Currently 55 NSAs are receiving grants from SDB to meet operating expenses and to organise activities for the promotion and development of their particular sports. The funding system has been in place since the establishment of SDB in 1990. The chart below shows the amounts granted in the last five years.

SDB Grants to NSAs from 1997/98 to 2001/02



FUNDING PRINCIPLES

2.2 Over the years SDB has developed a set of principles for the allocation of grants. The salient ones are summarized below:

(a) Each grant comprises three parts -

(i) personnel expenses,

(ii) office expenses, and

(iii) programme expenses.

(b) Subventions for personnel and office expenses are calculated according to factors such as the NSA's type of sport (e.g. "Focus" sport[4]), the quality and quantity of its programmes and the size of its membership. The guidelines are at **Appendix A**. NSAs' expenses thus calculated are subvented in full.

(c) Programme expenses are vetted according to detailed guidelines on such items as airfares, accommodation and meal and uniform subsidy.

(d) Different levels of subvention are set for different types of programmes. (This is also

[4] Inclusion into the "Focus" sport category is decided on the basis of results in international competitions. Currently 13 sports are covered, namely: athletics, badminton, cycling, fencing, rowing, squash, swimming, tennis, tenpin bowling, triathlon, table tennis, windsurfing and wushu.

known as the "percentage rule".) A table showing the subvention levels is at **Appendix B**.

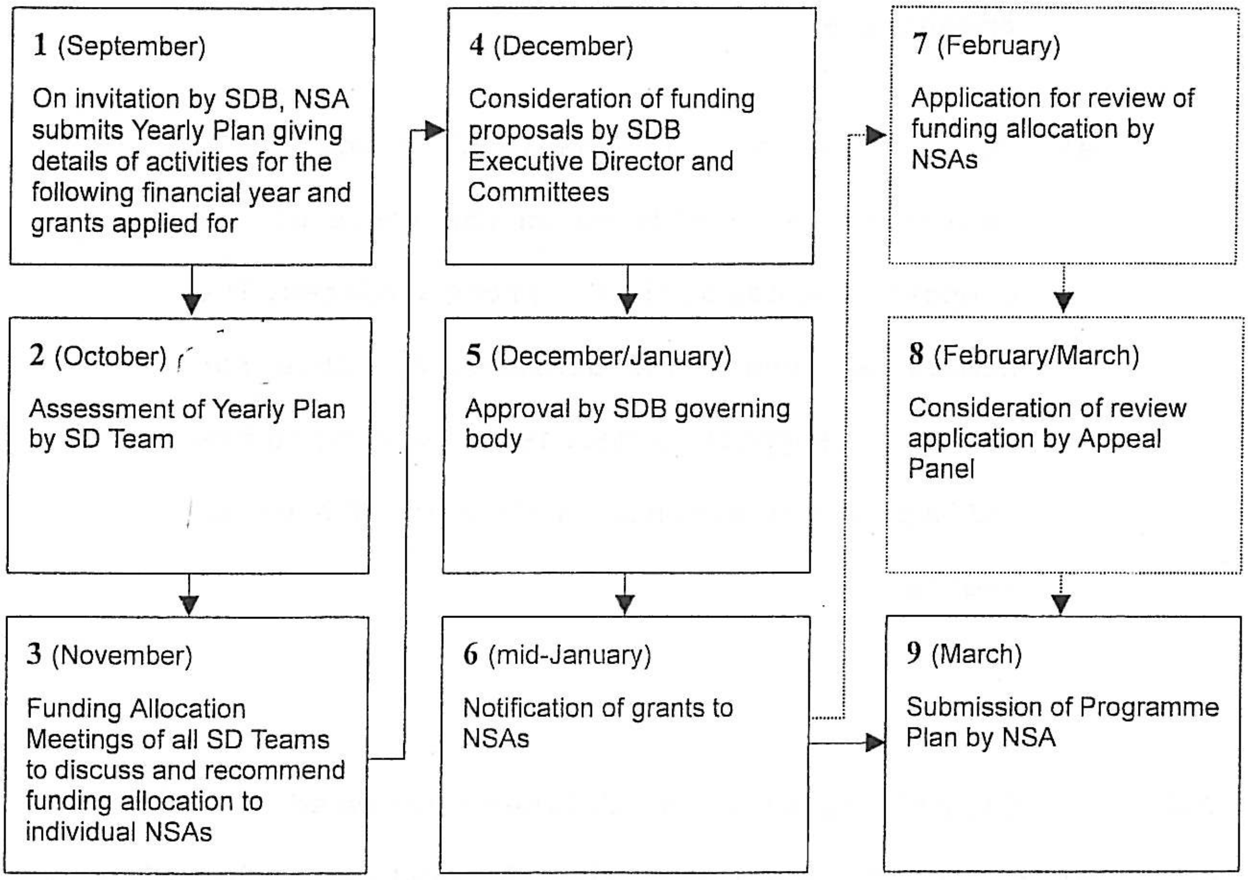
(e) Subventions for international events held overseas are considered on the basis of the competitiveness of the Hong Kong athletes. The number of events and athletes eligible for financial support is decided according to the NSA's past performance in the same or similar events.

2.3 The principles and guidelines are issued in a paper entitled "Funding Allocation to NSAs: Allocations Principles and Administration Guidelines" for the internal use of SDB officers. Some, for instance the guidelines on the percentage rule and the terms of service for subvented staff, are included in the Handbook for NSAs published by SDB.

ALLOCATION PROCESS

2.4 Grants to NSAs are considered and allocated according to the following procedures:

Annual Fund Allocation Process



2.5 Around September every year, NSAs are invited to submit Yearly Plans for the following financial year on a standard format provided by SDB. Estimated expenses under the three categories (personnel, office and programme) have to be furnished, down to such details as telephone charges and insurance expenses for an overseas sports trip. (Step 1).

2.6 On the basis of the funding guidelines, the four Sports Development Teams (SD Teams) responsible for NSA funding and monitoring scrutinise the Yearly Plans of NSAs under their charge. Every item of expenditure is checked for

need, accuracy and economy. Meetings are held with representatives of NSAs to clarify their plans. (Step 2).

2.7 Funding allocation meetings, chaired by the Head of the Sports Development Division, are held around November when the four SD Teams sit together, each presenting to the others its initial assessment on the Yearly Plan of every NSA. Questions are raised and views exchanged before an amount is agreed. After all the Yearly Plans are discussed, the total amount agreed for all the NSAs is checked against the money available to SDB for disbursement. The amount for each NSA is adjusted until the total allocations match SDB's projected provision for that purpose. The meetings for the 2002-03 funding exercise were held in November 2001 over five days.(Step 3).

2.8 Based on the results of the funding allocation meetings, the SD Teams revise the funding proposals and submit them to the SDB Executive Director for clearance before consideration by the Sports Development Committee, Hong Kong Sports Institute Management Committee and Corporate Management Committee[5], and then the SDB governing body for final approval. (Steps 4 and 5).

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[5] The three Committees are composed of SDB Board Members as well as co-opted members. They advise and assist the SDB governing body on the relevant areas of its work.

2.9 NSAs are notified in January by letter of the sums allocated to them (Step 6). Those not satisfied can seek a review by the Appeal Board, composed of SDB Board Members other than those who have sat on the Committees vetting the funding proposals. The Appeal Board considers the representations from the appealing NSAs and decide whether to vary the previous allocations. (Steps 7 and 8). The Appeal Board has discretion to depart from the funding guidelines and may exercise such discretion where the special circumstances of a case so justify. In 2001/02 there were three applications from NSAs to review the funding decision. All three were partially allowed, but in two cases the Appeal Board imposed special conditions which the NSAs had to satisfy before additional funds would be granted.

2.10 NSAs then revise their programme of activities in the light of funds allocated. The revised programme, or Programme Plans, are to be submitted to SDB within a month as the basis for the release of funds. (Step 9).

THE PROCESS IN PRACTICE: CASE STUDIES

2.11 To appreciate how the funding principles and procedures are applied, this Office has studied the Yearly

Plans of three NSAs[6] and how their applications for grants were processed. The table on the following page shows the NSAs' and SDB's estimates of expenses, the amounts sought by the NSAs, and the grants finally approved by SDB.

2.12 From the study of the three cases, we have some observations. As most NSA applications have similar characteristics, the three can be viewed as examples:

(a) The activities of the NSAs were not all sponsored by SDB. They also relied on other sources of income, e.g. -

(i) NSA1 had secured commercial sponsorship of almost $7 million for an international event. Thus, it requested SDB for less than 10% of the expenses for holding international events in Hong Kong (Item (3)(b), columns 1(a) and 1(b));

(ii) Development events (for promoting sports at community level) were sponsored by LCSD and no subvention was required from SDB(Item (3)(d)); and

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[6] The records related to the 3 NSAs were provided by SDB. One (NSA1) comes under the "Focus" sport category. The other two are medium-size (NSA2) and small (NSA3) NSAs.

Summary of Applications for grants by 3 NSAs for 2001-2002

	NSA 1				NSA 2				NSA 3			
	Estimate Expense	Grant Requested	SDB Estimate	SDB Approved	Estimate Expense	Grant Requested	SDB Estimate	SDB Approved	Estimate Expense	Grant Requested	SDB Estimate	SDB Approved
	(1a)	(1b)	(1c)	(1d)	(2a)	(2b)	(2c)	(2d)	(3a)	(3b)	(3c)	(3d)
(1) Personnel expenses	$2 171 969	$2 171 969	$1 211 390	$1 211 390	$ 542 397	$ 158 697	$ 127 770	$ 127 770	$ 25 200	$ 25 200	$ 25 200	$ 25 200
(Number of staff)	*(14)*	*(14)*		*(5)*	*(3)*	*(1)*		*(1)*				
(2) Office expenses (including audit fees)	$ 372 750	$ 372 750	$ 86 700	$ 86 700	$ 50 000	$ 16 900	$ 14 400	$ 14 400	$ 2 500	$ 2 500	$ 2 500	$ 2 500
(3) Programme expenses	$10 991 970	$2 867 790	$1 088 537	$ 830 000	$ 684 700	$ 430 000	$ 213 800	$ 213 800	$ 60 395	$ 43 197	$ 12 000	$ 12 000
(a) International events held overseas	*$1 017 670*	*$ 944 270*	*$ 326 992*	*$ 273 500*	*$ 461 000*	*$ 323 000*	*$ 133 600*	*$ 133 600*	*$ 37 425*	*$ 26 197*	*$ 0*	*$ 0*
(Number of events)	*(28)*	*(28)*	*(20)*	*(15)*	*(3)*	*(3)*	*(2)*	*(2)*	*(1)*	*(1)*	*(0)*	*(0)*
(b) International events held in HK	*$7 956 800*	*$ 743 800*	*$ 373 634*	*$ 337 500*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*
(Number of events)	*(3)*	*(3)*	*(2)*	*(2)*								
(c) National squad training	*$1 004 340*	*$ 974 340*	*$ 323 321*	*$ 171 000*	*$ 90 200*	*$ 90 200*	*$ 68 200*	*$ 68 200*	*$ 3 000*	*$ 3 000*	*$ 0*	*$ 0*
(Number of items)	*(3)*	*(3)*	*(2)*	*(2)*	*(4)*	*(4)*	*(3)*	*(3)*	*(1)*	*(1)*	*(0)*	*(1)*
(d) Development scheme	*$ 797 780*	*$ 0*	*$ 0*	*$ 0*	*$ 109 500*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*
(Number of items)	*(4)*	*(0)*	*(0)*	*(0)*	*(12)*	*(0)*	*(0)*	*(0)*				
(e) Training for officials	*$ 187 960*	*$ 177 960*	*$ 53 290*	*$ 36 700*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*	*$ 0*
(Number of items)	*(4)*	*(4)*	*(3)*	*(2)*								
(f) NSA officials attending international conference	*$ 27 420*	*$ 27 420*	*$ 11 300*	*$ 11 300*	*$ 24 000*	*$ 16 800*	*$ 12 000*	*$ 12 000*	*$ 19 970*	*$ 14 000*	*$ 12 000*	*$ 12 000*
(Number of items)	*(2)*	*(2)*	*(2)*	*(2)*	*(1)*	*(1)*	*(1)*	*(1)*				
(4) Local competitions	$1 523 550	$ 0	$ 0	$ 0	$ 90 000	$ 0	$ 0	$ 0	$ 9 600	$ 0	$ 0	$ 0
(5) Other Projects / Functions	$ 238 200	$ 0	$ 0	$ 0	$ 52 000	$ 0	$ 0	$ 0	$ 3 200	$ 0	$ 0	$ 0
Total	$15 298 439	$5 412 509	$2 386 627	$2 128 090	$1 419 097	$ 605 597	$ 355 970	$ 355 970	$ 100 895	$ 70 897	$ 39 700	$ 39 700

(iii) Expenses for functions such as publication of newsletters and annual dinners were grouped as "other projects / functions" and not eligible for subventions (Item 5).

(b) In the cases of NSA1 and NSA2, SDB's estimates for personnel and office expenses (made according to the SDB guidelines) were considerably lower than the NSAs' own estimates (Items (1) and (2)) because -

(i) For NSA1, the maximum number of staff allowable under the guidelines was 5 (**Appendix A**, Table (A), Item (1), Column (a));

(iii) Two of NSA2's staff were funded by other sources.

(c) SDB's estimates for the expenses of participation in international events held overseas (Item (3)(a)) were considerably lower than the NSAs'. SDB had lowered such expenses as airfares and meals and uniform costs according its guidelines, reduced the number of participants on the results in

previous competitions and cut the number of events. The common grounds for disallowing events included points such as-

(i) there had been no achievement in related events in the past;

(ii) the SD Managers considered the schedule too intensive for the athletes; and

(iii) the event had not been supported in the past.

(d) The grants approved for NSA1, NSA2 and NSA3 amounted to 39%, 58% and 57% respectively of the amounts they requested. The main reasons for the difference are-

(i) The NSAs had not taken account of the percentage rule[7] in their requests.

(ii) Some items, though eligible under SDB policy, were disallowed because of shortage of funds available to SDB.

[7] Paragraph 2.2(d) above.

ASSISTANCE UNDER ELITE TRAINING PROGRAMME

2.13 For completeness, it should be noted that, in addition to the grants, NSAs engaged in "Focus" sports are afforded another kind of assistance by SDB. Through the Elite Training Programme, they are entitled to coaching by staff of the Hong Kong Sports Institute (HKSI), use of HKSI facilities, participation in local and overseas training and competitions and technical support services such as sports science and medicine. This is sometimes referred to as "double benefits" for the "Focus" sport NSAs. A table showing the grants to individual NSAs and the costs of services provided to the "Focus" sport NSAs under the Elite Training Programme is at **Appendix C**.

3

MONITORING AND CONTROL

GENERAL

3.1 SDB's system for monitoring the subvented activities of NSAs, outlined in its guidelines to SD Managers (**Appendix D**), aims to ensure that SDB grants are properly used. Broadly, monitoring is done by:

(a) scrutinizing plans and reports submitted by NSAs; and

(b) visiting NSA activities and attending their meetings.

PLANS AND REPORTS

3.2 To account for expenditure from the SDB subventions, NSAs are required to submit the following plans and reports:

	Document	Contents	Other Requirements
(1)	Four-year Plan	To give broad idea of programmes for the following four years and their estimated expenditure	To be updated every year
(2)	Yearly Plan	To describe all activities and their expenditure for the following year with breakdown of calculations	To be submitted in September
(3)	Programme Plan	To show activities for the following year, revised in the light of subvention allocated, with details of estimated expenditure, dates and venues	To be submitted within one month after notification of allocation
(4)	Application for Grants	To include details of events, names of athletes, expenditure (with breakdown of calculations) and subvention requested	To be submitted before beginning of event but not more than three months in advance. Related correspondence must be attached
(5)	Statement of Accounts	To include all incomes and itemized breakdown of actual expenditure	To be submitted within two months after completion of event (four months for major local international events)
(6)	Evaluation Report	To include details of events, athletes' performance and comments on value and cost-effectiveness	Time limit of submission same as for Document (5)
(7)	Annual Return	To include a statement of programmes and details of all expenses subvented by SDB	To be submitted within six months after close of financial year. For NSAs with SDB subvention over $80 000, to be certified by public accountant

3.3 Documents (1), (2) and (7) are to be submitted once every year, while documents (3) to (7) have to be submitted for every event subvented by SDB. The requirements are detailed in the Handbook for NSAs[8].

3.4 The deadlines for submission of documents have to be strictly adhered to. "Penalties" for failing to meet the requirements are detailed in the Handbook:

- If the Application for Grants is not submitted before an event commences, the grant designated for that event will be forfeited;
- If the Statement of Accounts and Evaluation Report for an event are not submitted by the deadline, funding for other activities will be suspended.
- SDB will not process any new application for grants from that NSA until all outstanding documents are produced.
- If the NSA cannot provide all the outstanding documents before the commencement of the next event, the grant designated for the next event will be forfeited[9].

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[8] Paragraph 2.3
[9] Handbook for NSAs, page PRO-1

3.5 NSAs also have to adhere strictly to the Application for Grants form. Grants may be reduced for deviation. The following case is an illustration. A SD Manager made a visit to a national squad training session at the time and place stated in the Application for Grants but saw no one present. He found out later that the athletes were at that time attending a seminar at the NSA office and the training had been cancelled. SDB deducted the expense for that training session from the grant. The NSA suggested to hold an extra training session to make up for the cancelled session and requested SDB to release the grant in full. SDB refused on the ground that the additional training session was outside the original Application for Grants and changes could be made only with prior approval from SDB.

MEETINGS AND VISITS

3.6 According to the guidelines for SD Managers, every NSA is to be visited no fewer than 15 times every year, as follows:

Meeting / Visit	No. of times per year
Meeting of the Executive Committee	4*
Annual General Meeting / Annual Dinner	1
Sports programmes	3
Half-yearly visit to NSA office	2
Quarterly meeting on overall development	4
Annual meeting on Yearly Plan	1
	(15)

** estimated on the basis of meeting quarterly*

In the case of NSAs which hold international events in Hong Kong, the number would be even greater, as SD Managers have to attend all such events. They also attend the meetings of the organizing committees for major events.

3.7 To assess the effectiveness of the visits, we have studied reports provided by SDB. To illustrate, three cases are summarized below:

	Case 1	Case 2	Case 3
Purpose	To visit a national squad training session	To visit an international sports tournament in HK	To observe how a HK athlete performs in an international tournament
Main findings	Only one athlete present	Hosting NSA ran the event smoothly	The HK athlete's performance was affected by the unfamiliar environment.
Other findings	The poor turnout might be due to athletes: (1) not accepting the coaching methodology; and (2) saving energy for a ranking competition a few days later	The budget was tight. NSA officials had to contribute personally to the running costs The competitions were spectacular and attracted many spectators	SD Manager also observed how the particular sport was promoted in the host country and how the International Federation operated
Follow-up action	SD Manager raised matters verbally at NSA Executive Committee meeting		SD Manager recommended sports psychology service and physical training for the athlete
NSA response	NSA chairman would take matters up with the Head Coach and NSA officials		
SD Manager's Comments	SD Manager stated that it was difficult to persuade the NSA to make changes	SD Manager recommended that a higher level of subvention should be granted to run the event and promote the sport	SD Manager concluded that the visit was a good opportunity to enhance his knowledge of sports and to understand the needs of elite athletes

3.8 From reports of visits and meetings, the following observations are made:

(a) The visits and meetings are not confined to events subvented by SDB. The guidelines stated that SD Managers should visit both subvented and non-subvented events[10].

(b) Some reports do not indicate whether the event is subvented or contain relevant information for readers to assess whether the event has been run and money spent according to the approved programme. For instance, the report of Case 1 does not say how many athletes were supposed to be present (it was found in another document that funds were provided for 16 persons) and that of Case 3 does not say whether the athlete was subvented by SDB or what his targets for the event were and to what extent they had been met.

(c) The visits, as such, serve better the purpose of providing SD Managers with general knowledge of the particular sports and NSAs

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[10] **Appendix D**, paragraph 2, item 5

operation, rather than for monitoring the proper use of grants.

(d) As observers, visiting SD Managers do not participate directly in the running of events and express views when necessary.

(e) Where irregularities are spotted, SD Managers normally seek improvement by persuasion. In Case 1, the problem was raised verbally at an Executive Committee meeting of the NSA. There was no indication in the records whether remedial actions were in fact taken.

MONITORING SUBVENTED STAFF

3.9 As a further means to monitor the activities of NSAs, SDB takes a keen interest in the supervision of NSA staff, in particular those whose salaries are subvented by SDB grants. Such staff play an important part in running NSAs and SDB considers its provision for their salaries entitles it to monitor their performance.

3.10 SD Managers attend recruitment interviews, take part in training NSA staff, scrutinize their appraisal

reports and meet them regularly for their views[11]. Furthermore, subvented staff are required to file a prescribed form every month acknowledging receipt of salary[12].

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[11] For details, see SDB Guidelines for Monitoring NSAs, paragraph 4 , at **Appendix D**.

[12] See paragraph 4.6(e)(i) for discussion on the reasonableness of the acknowledgement of receipt system.

4

COMMENTS AND OPINIONS

FUNDING POLICY

4.1 We are aware of different views on the policy adopted by SDB in allocating grants to NSAs. The major criticisms against the policy are the following:

(a) In allocating funds, SDB places too much emphasis on past performance[13] without due regard to other relevant considerations such as development potential, popularity and level of public participation.

(b) The percentage rule[14] places a financial burden on NSAs and limits the number of events they can organize.

4.2 On the other hand, there are arguments that encouraging the pursuit of excellence is an effective way to promote sports and SDB should concentrate on training of

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[13] Paragraph 2.2(e)
[14] Paragraph 2.2(d)

high-performance athletes. As for the percentage rule, it has been suggested that NSAs, being autonomous organizations, should be self-reliant. SDB subvention should be viewed as a form of support rather than an obligation.

4.3 However, these are policy matters. Much turns on public perception of the importance of sports development and its expectations of the parties concerned. In this connection, we note that an exercise is underway for HAB to consult the public on the sports policy. In our view, it is important to have a realistic and rational, comprehensive and comprehensible policy. It must be clear to all parties concerned so as to energise concerted efforts towards a common goal.

FUNDING ALLOCATION PRACTICES AND PROCEDURES

4.4 There are signs that, in practice, SDB may have applied the funding policy too rigidly, for example:

(a) The list of approved airfares which SDB uses as the basis for budgeting does not allow for seasonal fluctuations.

(b) SDB has refused subvention on the ground that

the event had not been supported in the past[15]. This would mean that NSAs are not encouraged to attempt anything new or creative. In our view, SDB should consider all relevant factors about the proposed event, in particular its value in respect of sports development.

4.5 On the funding allocation process, we have the following observations:

(a) In their applications for grants, NSAs tend to include more events and participants than are allowable according to SDB guidelines[16]. This suggests that they either are not clear about the guidelines or choose to ignore them, with the result that SD Managers have to spend much time and efforts to vet the estimates and NSAs to adjust their plans subsequently. To rectify the situation, NSA officials should be reminded of the guidelines. SDB can hold briefing sessions for such purpose shortly before the preparation of Yearly Plans.

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[15] Paragraph 2.12(c)(iii)
[16] Paragraph 2.12(c)

(b) A reason for the difference between NSA requests and SDB grants[17] is that NSAs are not advised before the compilation of Yearly Plans what SDB's total provision might be or how much individual NSAs might expect to receive. Without such information, they may include too many items. It would help if NSAs are given some indication of the subvention ceiling (at the very least, whether there would be a general increase or decrease) as well as other criteria for funding when they are invited to submit applications for grants.

(c) The criteria used by SDB to cut NSAs' requests do not always appear to be reasonable. We note that, in the case of NSA1 mentioned in paragraphs 2.11-2.12, several overseas events were disallowed on the ground that the schedule was too intensive[18] - but that should be a matter for the NSA rather than SDB.

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[17] Paragraph 2.12(d)
[18] Paragraph 2.12(c)(ii)

MONITORING SYSTEM

4.6 On the SDB's system for monitoring the performance of NSAs, we have the following observations:

(a) The system for submission of plans and reports is cumbersome. An event organized by a NSA has to be accounted to SDB six times: thrice before the event (in the Yearly Plan, Programme Plan and Application for Grant) and thrice afterwards (in the Statement of Account, Evaluation Report and Annual Return). Admittedly, there might be variations to the details of an event in its different stages. However, in most cases, those variations should not affect the nature of the event or its eligibility for grants. Moreover, much detailed information (e.g. names of athletes) is required more than once. In our view, the time and efforts of NSA and SDB staff could be better utilised in tasks that contribute more directly to the development of sports.

(b) Some documents may not serve any useful purpose and add to NSAs' workload. An example is the form for NSA staff to acknowledge

receipt of salaries and contributions under the Mandatory Provident Fund Scheme (a sample is at **Appendix E**). If the intention is to prevent misuse of subvention by NSAs, there are already requirements for SD Managers to meet subvented NSA staff regularly[19] and for NSAs to submit annual financial reports[20].

(c) The application form for grants for sports events[21], prescribed by SDB, does not match with SDB's own stipulations. According to SDB requirements[22], NSAs have to provide information about athletes' residency status, the estimated income for the event and subvention required. However, there is no indication of such requirements in the application form and no space for inclusion of the information.

(d) When irregularities are observed, there are no effective means to ensure that remedial measures will be taken. Case 1 described in paragraph 3.7 is an example. In the absence of a clear contract between SDB and NSAs about

[19] Paragraph 3.10
[20] Paragraph 3.2, item (7)
[21] Handbook for NSAs, Form 5 - Application for Grants for Sports Events
[22] Handbook for NSAs, page PRO-3, paragraph(B)(1)

each other's rights and obligations, there is little a SD Manager can do to compel NSAs to act. Bringing about improvement is an important goal of a monitoring system. It would be desirable for a mechanism to be established under which irregularities would be formally (preferably in writing) brought to the attention of the appropriate authority of the NSA (say, its Executive Committee) with a demand for formal (written) explanation. This would better ensure that appropriate action is taken.

(e) Some of the control measures are severe and may have undesirable effects. The following are examples-

(i) The requirement for subvented NSA staff to acknowledge to SDB receipt of salaries, coupled with the system of supervision by SD Managers[23], may undermine NSAs' authority over its own staff and cause difficulties in staff management. It would be desirable for the requirement for acknowledgement to be dispensed with

[23] Paragraphs 3.9, 3.10 and **Appendix D**, paragraph 4

and SDB to meet NSA staff only when it is necessary to do so.

(ii) The rule that payments will be suspended or forfeited if relevant documents are not submitted in time[24] appears to be disproportionately harsh. It should be appreciated that the primary purpose of NSAs is to organize sports events. There may be occasions that the deadlines (which, apart from SDB's administrative convenience, does not appear to serve any significant purpose) are inadvertently overlooked. Rules like this do not reflect well SDB's trust for NSAs and is likely to give rise to resentment. In our view, it may be more appropriate for such "faults" to be brought to the attention of the NSA's Executive Committee, for it to take appropriate action against the person(s) at fault.

(f) Rigid adherence to strict rules may restrict a NSA's ability to make the best use of

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[24] Paragraphs 3.4

resources available. Take the rule that Programme Plans cannot be varied without prior approval from SDB[25] for example. Bearing in mind the nature of sports events and the Programme Plans, it should be no surprise if certain changes need to be made when the events are actually held. It would be unduly cumbersome to seek SDB approval for every minute variation. A more reasonable and efficient device would be for key performance indicators to be set and, subject to the indicators being met, to allow NSAs discretion over the running of the events.

[25] Paragraph 3.5

5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

5.1 On the basis of our findings, we have come to the view that SDB has endeavoured to ensure that public funds granted to NSAs for development of sports are properly used and accounted for. However, in doing so, it may not have given sufficient consideration to administrative efficiency on its part and that of NSAs. The present system is cumbersome, rigid and occasionally unreasonable in implementation. It gives the impression of a lack of mutual trust and results in wasteful use of manpower.

5.2 We note that the Administration has proposed to review the system. We support the proposal and hope our findings and recommendations help towards that review.

RECOMMENDATIONS

5.3 For improving the system for funding and monitoring the sports programmes of NSAs, The Ombudsman makes the following recommendations:

(a) **In the long run**, a new system should be worked out for efficient management and monitoring as well as effective use of public resources.

(b) **In the interim**, pending review, the following improvement should be made-

Allocation of Grants

(i) The criteria for allocating grants should be reviewed with a view to meeting more effectively the aspirations of the community (paragraphs 4.1-4.3).

(ii) Guidelines for funding allocation should be regularly updated to reflect the changes in relevant conditions (paragraph 4.4).

(iii) Steps should be taken to ensure that NSA officials responsible for applications

for grants are apprised of the relevant policy, procedures, practices and guidelines (paragraph 4.5(a)).

(iv) NSAs should be provided, before the compilation of Yearly Plans, with suitable information or advice so as to enable them to prepare the plans rationally and realistically (paragraph 4.5(b)).

(v) Funding policy and guidelines should be interpreted liberally and flexibly with due regard to the expertise of NSAs in their specific fields (paragraphs 4.5(c) and 4.6(f)).

Monitoring

(vi) The present requirement for plans and reports should be streamlined to cut repetition and unnecessary information (paragraph 4.6(a) and (b)).

(vii) Forms prescribed by SDB should be reviewed to ensure that they serve their intended purpose (paragraph 4.6(c)).

(viii) A system should be devised to ensure that reasonable requests and suggestions by SDB are properly followed up by NSAs (paragraph 4.6(d)).

(ix) Monitoring measures carrying unduly harsh sanctions should be amended (paragraph 4.6(e))

6

FINAL REMARKS

INVESTIGATION REPORT

6.1 The draft of this investigation report was sent to SDB for comments on 30 July 2002. The investigation report, incorporating the comments from SDB, was published on 13 August 2002.

6.2 We appreciate SDB's response and have carefully considered its comments, most of which have been incorporated into the corresponding paragraphs in Chapters 1 to 5. For those comments and views we have not been able to reflect in the report, we highlight below.

COMMENTS FROM SDB

Funding Policy

6.3 On the criteria for allocating grants, SDB explains

that its policy is to focus on "development sports" and "elite training", as mass-participation programmes are supported by LCSD. It considers, in view of such policy, that a sport's popularity and level of participation cannot be taken into consideration in its funding allocation exercise.

6.4 The Ombudsman notes that the Ordinance setting up SDB gives it a general duty, and powers, to promote the development of sports[26]. Whether SDB should fund popular sports programmes and whether it should take into consideration a sport's popularity in deciding the amount of grant to a NSA are two different matters. There is clear evidence that some sectors of the sports community hold the view that, in addition to past performance, factors such as a sport's popularity and level of participation should also be taken into account in the funding allocation.

6.5 We are sympathetic to such aspirations of the "populist" lobby. Similar sentiments have also been voiced by the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC) in its response to the Government's consultation on the policy on sports development. "The funding criteria have been generally criticised as too result-oriented without

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[26] Hong Kong Sports Development Board Ordinance (Cap.1149), preamble and section 4.

allowing adequate time for a sport to develop and without much regard to the individual needs, popularity and level of public participation for different sports. This quick-fix approach could only end up in a rich gets richer situation."[27]

Monitoring of NSA Staff

6.6 On the requirement for subvented NSA staff to acknowledge to SDB receipt of salary, SDB explains that the purpose intended to protect the staff's interests, as the salary subvention is paid to NSAs and not to the staff directly.

6.7 While being well intentioned, we think that SDB should leave subvented NSAs to discharge their duties as employers. Should any NSA fail to do so, there are avenues (e.g. Labour Tribunal) better placed to provide redress. By being too interventionist, SDB undermines NSAs' autonomy, particularly in respect of their own staff who may come to view SDB, and not individual NSAs, as their pay master. We therefore maintain that to respect NSA's autonomy, the salary acknowledgement requirement should be dispensed with. If there should be a problem of staff not being paid, this requirement can be resurrected for that offending NSA rather

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[27] "The Way Forward In A New Era of Sports Development", paragraph 16.

than to all NSAs.

Plans and Reports

6.8 On the rule for suspension or forfeiture of grants for failure to submit documents on time (paragraph 4.6(e)(ii)), SDB raises the following points:

(a) Since the implementation of the rule, the number of late submissions has greatly reduced;

(b) SD Managers would apply the rule flexibly, for instance by issuing reminders or allowing extension of time limits;

(c) The number of forfeiture cases was "small" - four cases per year on average; and

(d) There has been no complaint by NSAs that the rule is harsh.

6.9 That the rule is effective in ensuring that NSAs submit documents on time, and NSAs do not object, does not necessarily mean that the rule itself is not harsh. The main concern is its effect on SDB's relation with NSAs. We believe that parties will function best in an atmosphere of mutual

respect and trust, not under threat of punishment. We suggest that SDB should assume the role of co-operating partner, rather than a monitoring mentor, in dealing with NSAs. If NSAs happily accept failure to submit documents on time as a ground for suspension or forfeiture of grants, we do not insist on this requirement being reviewed or changed. Nevertheless, The Ombudsman maintains that this requirement is too severe.

Recommendations

6.10 SDB indicates that it will take steps to implement The Ombudsman's recommendations but has reservations on the two under paragraph 5.3(b)(i) and (ix). SDB's views and The Ombudsman's response are in paragraphs 6.3 to 6.6 above.

FINAL REMARKS FROM THE OMBUDSMAN

6.11 The Ombudsman would also like to be kept informed of progress on implementation of the recommendations. SDB is requested to provide a progress report half-yearly.

6.12 Finally, The Ombudsman expresses appreciation to officers of SDB, HAB, LCSD and NSAs consulted in the course of this investigation for their co-operation and assistance.

---- End ----

Office of The Ombudsman

Ref. OMB/WP/14/1 S.F.92

August 2002

SDB Guidelines for Calculation of Personnel and Office Expenses (abridged)

(A) Personnel Expenses

	Focus Sports (a)	Non-Focus Sports (b)
(1) Post entitlement	Maximum no. of subvented staff: 5	Maximum no. of subvented staff (depends on the programme quantity and quality): 3
(2) Special consideration for additional headcount		1 additional headcount (i.e. entitled to 4 subvented staff) for ◆ Multi-disciplined NSAs ◆ Ex-Focus sports

(B) Office Expenses

	Factors to be considered (a)	Calculation Basis (b)
(1) Recruitment advertisement fee		◆ NSAs with 1-2 subvented staff: $5,500 /year ◆ NSAs with 3-5 subvented staff: $11,000 /year
(2) Administration expenses	◆ Number of programmes size ◆ membership size	Depending on programme / membership size: ◆ $4,700 ◆ $9,500 ◆ $19,000 ◆ $37,800 ◆ $75,700
(3) Rent / rates	◆ Only for NSAs located outside Sports House ◆ Allocation should be made in accordance with bills of rent / rates in the last quarter	Maximum $5,730 /month
(4) Audit fee		Initial allocation amounting to : ◆ $80,000 or less: Nil ◆ $80,001-$250,000: $4,900 ◆ $250,001-$500,000: $8,000 ◆ over $500,000: $11,000

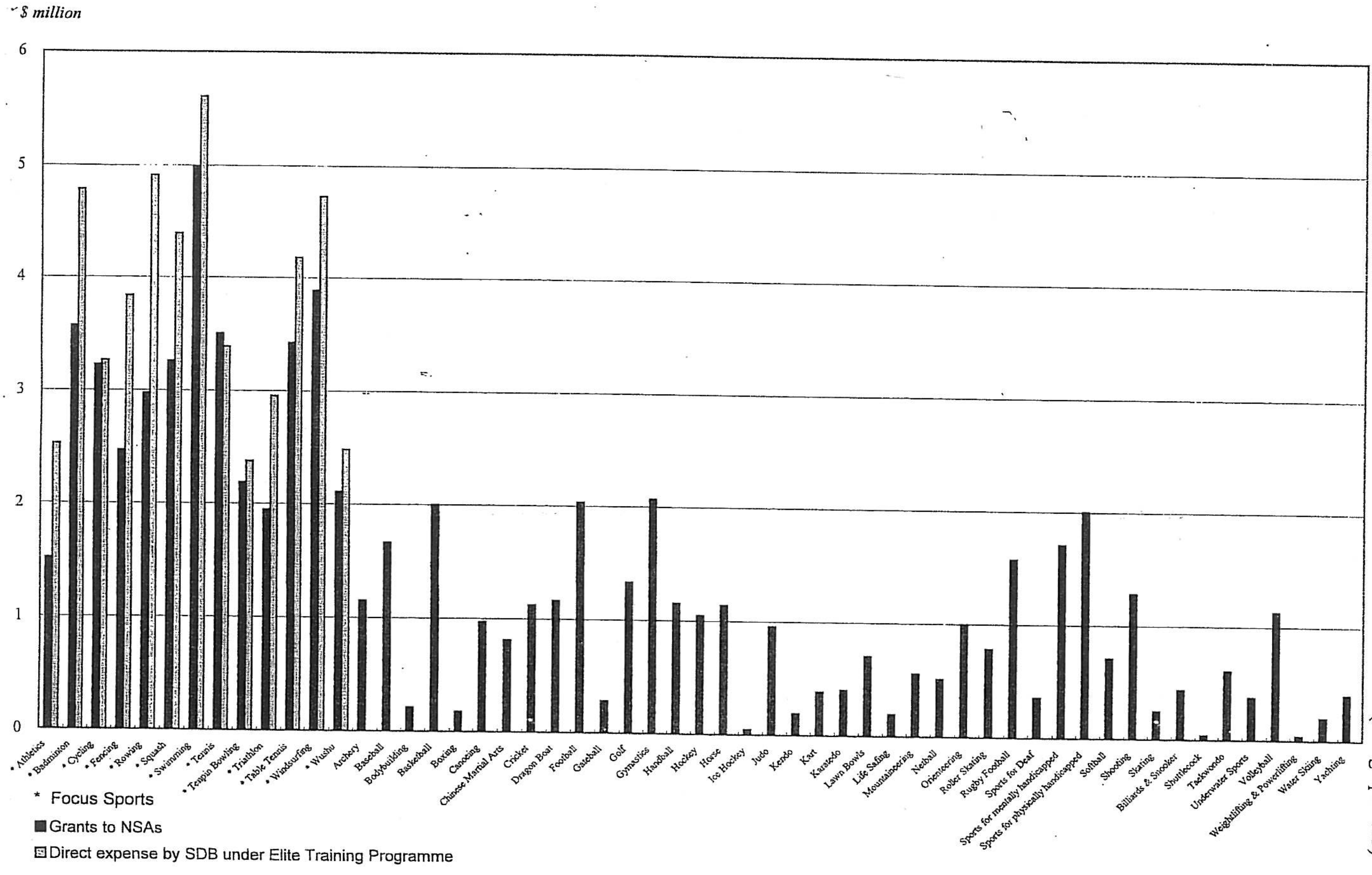
Appendix B
(Paragraph 2.2 (d))

SDB Subvention Levels for Sports Programmes

Programme	Maximum Subvention Level
International events held overseas	70%
International events held in HK - World, Asian Championships and major regional championships - All China Championships and other international events	 70%, subject to a maximum of $550 000 per event 50%, subject to a maximum of $165 000 per event
National squad training	Overseas: 70% Local: 100%
Training for development sports, regional squad and age groups	Overseas: 70% Local: 90%
Training for referees and officials	70%
NSA officials attending International Federation meetings	70%

Appendix C
(Paragraph 2.13)

SDB Grants and Direct Expense for Focus sports and Non-Focus sports in 2001/2002



Appendix D
(Paragraphs 3.1, 3.6)

SDB Guidelines for Monitoring NSAs

1. **SD Teams should have the following NSA information / documents in hand in order to know the NSAs / sports and proper records should be maintained on files (NSA master files and NSA information files):**

Programme Schedules

- National Squad Training Schedule - senior & junior
- Regional Squad Training Schedule
- Development Squad Training Schedule
- Events Calendar
- Executive Committee Meeting Schedule
- Annual General Meeting Schedule

Sports Development Details

- Four-Year Development Plan
- Yearly Plan
- Programme Plan
- Performance Targets
- Athletes Development System
- Officials Development Programme

Administration / General

- Constitution / M&A
- Rules and Regulations of the sport
- Coaches / Officials' remuneration rate
- Year Books / Annual Reports
- Committee Structure
- Specimen Signature
- Office-Bearers' List

Athletes' achievements

- Elite Vote Scoring Table
- Results achieved at subvented programmes

International Developments

- Visit the web-sites of the International and Asian Federations of the sport regularly in order to update knowledge of the sport internationally

2. **To monitor NSAs' activities, SD Teams would:**

- attend NSAs' executive committee meetings regularly
- attend meetings of organizing committee of major local international events
- attend NSAs' AGMs / Annual Dinners
- attend all local international events as far as possible
- visit NSAs' programmes (both subvented and non-subvented) at least 3 times a year, in addition to local international events, if any
- pay visit to 1 overseas programme of the NSAs
- visit NSA offices twice a year
- visit NSAs' web-sites twice a year
- meet NSAs on overall development every quarter
- review Elite Vote / Development Vote scores every 2 years
- review NSAs' performance targets twice a year
- conduct annual round of meetings with NSAs
- examine closely the evaluation reports on subvented programmes
- check inventory equipment subvented by SDB annually

3. **Monitoring of NSAs' Spending Situation**

- Review NSAs' spending monthly
- Review quarterly spending by Finance Department and inform NSAs
- Maintain a systematic spending record for each NSA for the past 3 years
- Statements of accounts within 2 months / 4 months
- Audited annual return within 6 months
- Forfeiture of grants in place
- Full-time staff salary acknowledgement within 10^{th} day of subsequent month
- Part-time staff salary claim form within the subsequent month
- NSAIS

4. **Monitoring of NSAs' Subvented Staff**

- Meet NSA staff quarterly to review performance / gather feedback
- Request NSAs for appraisal reports for subvented staff in March every year
- Attend NSAs' recruitment interviews for Sports Executives and above
- Conduct out-going interviews with NSA subvented staff
- Conduct orientation programme for NSAs' new staff

Form for Acknowledgement of Receipt of Salary



Form 2 - Acknowledgement of Receipt of Salary Subvention by Full-time Subvented Staff
表格二： 獲津助全職員工薪酬收據

1) This is to acknowledge the receipt of HK$____________________ from the ________________________ (Name of the Association) being the salary subvention for the month of ________________ for performing the duties specified and approved by the Hong Kong Sports Development Board.
茲收到港幣$__________________ 乃由________________________ (請填上體育總會名稱) 支付本人______________月份的津助薪金，以執行香港康體發展局指明及批准的職責。

2) This is to acknowledge the receipt of HK$ ________________ from the Hong Kong Sports Development Board, being the employer's contribution for the scheme under the Occupational Retirement Schemes Ordinance (ORSO)/Mandatory Provident Fund (MPF) Scheme* for the month of ________________.
茲收到港幣$________________ 由香港康體發展局資助 ____________ 月份的職業退休計劃/強制性公積金計劃(僱主部份)*的供款。

____________________ Name of Staff 員工姓名	____________________ Signature 簽署
____________________ Position 職銜	____________________ Personal Identification Document No.# (I.D. Card / Passport No.) 身份證明文件號碼(身份證/護照號碼)#
____________________ Date 日期	

\# *The indication of the personal identification document is for the purpose of certifying the salary subvention recipient. All personal information will be kept strictly confidential and will only be used for the purpose as mentioned.*
填報個人身份證明文件號碼是為確辨薪酬津助接受人的正確身份。所有個人資料會絕對保密及祇會根據以上目的來使用。

* *Delete whichever is inappropriate.*
請刪去不適用者。